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October 27, 2023

Honorable Michael B. Kaplan
U.S. Bankruptcy Judge
U.S. Bankruptcy Court for the
District of New Jersey
402 East State Street
Trenton, New Jersey 08608
chambers_of_mbk@njb.uscourts.gov

Re: In re LTL Management LLC, No. 23-12825 (MBK)

Dear Judge Kaplan:

We are co-counsel for the Official Committee of Talc Claimants (the “TCC”) in the above-referenced proceeding. We write regarding the allowance of the fees incurred by the TCC Professionals and the questions raised by this Court at the hearing held on October 18, 2023 (the “Hearing”) to consider the disputed Final Fee Applications¹ and the Substantial Contribution Motion [Dkt. 1241] submitted by the TCC Professionals as well as the motion for reimbursement of expenses incurred by the TCC members (the “Expense Reimbursement Motion”) [Dkt. 1391].

We are pleased to inform the Court that the Debtor has accepted the offer made by many of the TCC Professionals to reduce their fees, which we believe fully addresses the concerns expressed by the Court at the Hearing regarding the Final Fee Applications. A proposed order addressing those Final Fee Applications has been submitted separately by Debtor’s counsel. The Substantial Contribution Motion for many of the TCC Professionals remains unresolved.

Notwithstanding the resolution of certain of the Final Fee Applications, the Debtor has rejected the offers made by the Massey & Gail and Houlihan Lokey firms, respectively, to resolve the objections to their Final Fee Applications. We were also unable to resolve the US Trustee’s objection to the Expense Reimbursement Motion. We address below the Discretionary Fee approved by the TCC in recognition of the services provided by Houlihan Lokey to the TCC and the Expense Reimbursement Motion. Massey & Gail submitted a separate response regarding approval of its fees.

Houlihan Lokey

Houlihan Lokey offered, and continues to offer, a reduction of its Discretionary Fee by \$200,000 (10% of the \$2mm fee), in consideration of the Court’s concerns expressed at the Hearing. This offer was rejected by the Debtor.

¹ The docket numbers for the TCC professional final fee applications are docket nos. 1339, 1341, 1344, 1347, 1349, 1357, 1360, 1361, 1382, 1394 and 1424.



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Houlihan Lokey provided quality services and exhibited professionalism under difficult circumstances in a compressed timeframe. A dismissal of the case was exactly what was contemplated by the Discretionary Fee – a fee paid notwithstanding the failure to confirm a plan of reorganization. This Court approved the inclusion of a Discretionary Fee in the order approving Houlihan Lokey’s retention [Dkt. 899], and Houlihan Lokey relied on that fee arrangement in undertaking the engagement.

Houlihan Lokey advises that it believes that its hours are significantly under-reported for the reasons included in our Omnibus Reply at FN 16, and in any event, are not the proper basis for judging the reasonableness of investment banking fees. Nevertheless, for comparison purposes, Houlihan Lokey has assigned billing rates commensurate with the Paul Hastings billing rates that the Debtor did not object to. The chart below further illustrates the reasonableness of the Discretionary Fee.

Houlihan Lokey Fees Implied - Paul Hastings					
	Implied Fees			10% Incremental Hours	
	Total Hours	Hourly Rate ⁽¹⁾	Total Fees	Total Hours ⁽²⁾	Total Fees ⁽³⁾
Saul Burian	209.0	\$2,075	\$433,675	229.9	
Tom Hedus	328.5	\$1,700	558,450	361.4	
Tim Petersen	525.5	\$1,600	840,800	578.1	
Tope Odusanya	446.0	\$1,216	542,448	490.6	
Danny Gendler	408.5	\$855	349,268	449.4	
Charlie Vratos	568.5	\$855	486,068	625.4	
Total	2,486.0		\$3,210,708	2,734.6	\$3,554,656
Fees Requested	\$3,366,496				
Voluntary Reduction	(200,000)				
Reduced Fees Requested	\$3,166,496				
(1) Reflects hourly rate of comparable professionals at Paul Hastings (based on seniority and level of experience)					
(2) Reflects an adjusted scenario in which it is assumed that Houlihan Lokey's hours were 10% greater than those reported in Houlihan Lokey's Final Fee Application					
(3) Reflects total fees assuming: i) the total hours worked by Houlihan Lokey professionals were 10% greater than reflected in Houlihan Lokey's Final Fee Application, and ii) total incremental hours of 248.6 were billed at an average rate of \$1,383.5 per hour (the average of the hourly rates in the column titled Hourly Rate above)					

As shown in the chart above, the Houlihan Lokey fees calculated pursuant to the terms of its Retention Order, including the Discretionary Fee (with the 10% reduction), are *less than* the total amount of fees calculated using the hourly rates approved for, and applied by, Paul Hastings for its work on behalf of the Ad Hoc Committee of Supporting Counsel. Moreover, the 10% reduction is more than any other reduction extracted from any TCC Professional, and is almost double the percentage extracted by the Debtor from the TCC legal professionals. Houlihan should not be treated disproportionately from the other TCC Professionals for its effective representation of the TCC during J&J’s ill-conceived bankruptcy strategy.



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Accordingly, the TCC respectfully requests that the Debtor's objection to the Discretionary Fee be overruled, and the proposed order attached hereto as **Exhibit A** be entered.

Expense Reimbursement Motion

The TCC confirms that it will modify as necessary its expense reimbursement requests submitted by its members as follows: (i) all travel to be allowed at economy or coach fare only; (ii) all hotel expenses to be allowed in compliance with UST fee guidelines; (iii) all dinner expenses to be allowed in compliance with UST guidelines; and (iv) no fees for alcohol shall be allowed. The TCC respectfully requests that the Court approve these modifications. TCC counsel will submit a proposed order with the revised amounts as soon thereafter as practicable.

For the reasons set forth in our papers and made by counsel at the Hearing, the TCC respectfully submits that the reduction of the Discretionary Fee earned by Houlihan Lokey as detailed above and the modification to the expense reimbursement requests offer a reasonable resolution to the fee objections and respectfully requests that the Court enter the proposed orders.

Respectfully,

A handwritten signature in black ink, appearing to read 'J. L. Jonas', with a stylized flourish at the end.

Jeffrey L. Jonas

cc: All counsel of record